

MINUTES
FINANCE AND AUDIT COMMITTEE MEETING
OF McHENRY COUNTY COLLEGE

A meeting of the Finance and Audit Committee of the Board of Trustees of McHenry County College was held on Tuesday, October 6, 2015 in the Board Room, Room A217, in Building A on the Campus. Chair Kissler called the meeting to order at 6:30 p.m. When Secretary Jenner called the roll, the following were present:

Ms. Walsh
Mr. Parrish
Ms. Kissler

Ms. Tirio, Mr. Smith, and Mr. Jenner were present. Dr. Smith was also present.

ACCEPTANCE OF AGENDA

The agenda was accepted as presented.

ACCEPTANCE OF MINUTES

The minutes were accepted as presented.

OPEN FOR RECOGNITION OF VISITORS AND PRESENTATIONS

No one addressed the Committee.

PRESENTATION: HOW TO INTERPET THE AUDIT

Mr. Fred Lantz of Sikich, LLP referred to his presentation as “Understanding CAFR 101.” CAFR stands for Comprehensive Annual Financial Report. Mr. Lantz noted that accounting for state and local government is very different than accounting for companies, due to the lack of profit motive in state and local government. He added that taxpayers and residents have different financial needs than shareholders. Mr. Lantz’s presentation covered the following: detailed schedules by sub-fund, ten years of trend information contained in the tables, uniform financial statements which are required to be filed annually with the Illinois Community College Board, discussion of the financial statements (balance sheet, income statement), measurement focus which reports all assets in the fund and all liabilities in the fund. Mr. Lantz also explained cash basis and accrual basis accounting, and noted that the College uses the accrual basis. After his presentation, Mr. Lantz received questions and comments from the Trustees.

BUDGET EDUCATION AND DEVELOPMENT

Dr. Smith, Dr. Miksa and Mr. Tenuta gave a presentation explaining the impact of the levy, tuition, fees, and state funding. The presentation began with an explanation of the College's Vision and Mission, and proceeded with discussion on the Strategic Plan. Operating Budget Development showed that College revenue has been stagnant over the last five years. Dr. Smith explained the areas where the Board has impact or does not have impact on revenue sources, noting that this would help the Board in making decisions on how the institution will be funded. She stated that the College uses zero-based budgeting and only budgets what is needed to meet the mission.

Dr. Smith explained the tactical operating efficiencies and budget cuts over the last several years – each program or operation must serve the needs of district residents in the most cost-efficient way possible. Dr. Smith noted that due to these efficiencies, the College was able to add fifteen new programs, accomplish campus renovations, and upgrade the ERP system. She explained that employee costs comprise 70% of the budget and noted that fixed costs could not be cut.

Mr. Tenuta stated that the levy has been flat the last two years; he added that the Board has control over tuition but not over enrollments. Mr. Tenuta noted also that unemployment is the leading economic indicator for colleges; when employment is up, enrollment is down and vice versa. He noted that state funding has been flat, and added that MCC receives only 4.95% of budgeted revenues from the state.

Mr. Tenuta explained that the levy is established by the Board annually, based on a requested dollar value. The tax rate is determined by the County Clerk, not the College. Mr. Tenuta explained that tuition is set by the Board and regulated by the state; tuition cannot exceed 1/3 of the per capita cost of approximately \$440.00. He added that MCC is the 33rd lowest tuition of the 39 Illinois community colleges. Mr. Tenuta then explained that fees are set by the Board, and cover supplies and operational costs. Dr. Miksa noted that the technology fee is charged to all students through a per credit hour charge; and explained specifics of other fees charged.

The Board's role is to ensure funds are available to operate the College, and to continue to support the tactical operational efficiencies and budget cuts recommended by the Administration. After the presentation, the Board provided comments and questions.

The presentation can be viewed on the Board website at www.mchenry.edu/board.

DISCUSSION OF TOPICS TO RECOMMEND TO CHAIR FOR BOARD AGENDA

Ms. Kisser noted two agenda items contemplated for January: 1) Steps that Go Into Planning the Budget and Reporting on Budget Activity, along with 2) Looking at How the College Plans for Long-term Expenditures. Mr. Jenner noted that the purchase of a phone system is pending; Mr. Tenuta added that the phone system is the largest expenditure for FY 2016. Capital expenses and deferred maintenance would also be in the budget. Dr. Smith noted that Mr. Dominick Demonica will report out on the space utilization study at the October Committee of the Whole meeting; the recommendations he presents will cost money. Ms. Kisser noted that another item carried over would be contractual negotiations. Ms. Kisser noted other items: review of major budgeted projects, expenses underway and the RAMP document which will be prepared for May or June, 2016. Ms. Walsh noted that the list contained an item to review the investment policy and added she would like to keep that topic on the list. Ms. Kisser noted that the next meeting of the Finance and Audit Committee will be held on Tuesday, January 12, 2016. A tentative date of April 5, 2016 was chosen for the following meeting.

CLOSED SESSION

There was no Closed Session.

FUTURE AGENDA ITEMS

Other than items referenced in Discussion of Topics to Recommend to Chair for Board Agenda, the following were discussed: RAMP for state capital projects, to be discussed at the January meeting, and the budget will be discussed no later than the January meeting.

SUMMARY COMMENTS BY BOARD MEMBERS

Ms. Walsh, Mr. Parrish, Mr. Jenner, and Ms. Tirio all expressed their appreciation for a very informative and educational meeting. Mr. Smith expressed his thanks to all, as well.

ADJOURNMENT

Hearing no further business, the meeting was adjourned at 9:04 p.m.

Patricia Kriegermeier, Recording Secretary